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STATE OF NEW JERSEY
DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF GAMING ENFORCEMENT

REDACTED

REPORT TO THE CASINO CONTROL COMMISSION ON THE PETITION OF TRUMP ENTERTAINMENT RESORTS, INC., FOR APPROVALS NECESSARY TO CONSUMMATE A PLAN OF REORGANIZATION/PRN 1341004

JOSH LICHTBLAU
DIRECTOR

JAMES C. FOGARTY
DEPUTY ATTORNEY GENERAL

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I. INTRODUCTION

Petitioner, Trump Entertainment Resorts, Inc. ("TER"), filed PRN 1341004 on May 14, 2010, amended by letter amendment dated June 28, 2010, and seeks from the Casino Control Commission ("Commission") approvals under the Casino Control Act ("Act") necessary to consummate a Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code. TER is a publicly-traded corporation qualified as a holding company under the Act of casino licensees Trump Taj Mahal Associates, LLC ("TTMA"), Trump Marina Associates, LLC ("TMA"), and Trump Plaza Associates, LLC ("TPA") (collectively, "Trump Casino Licensees"). Trump Entertainment Resorts Holdings, L.P. ("TER Holdings"), is a subsidiary of TER and also is a qualified holding company under the Act of the Trump Casino Licensees. Trump Entertainment Resorts Funding, Inc. ("TER Funding") is an indirect subsidiary of TER and is a qualified entity qualifier and financial source under the Act of the Trump Casino Licensees.

The casino licenses of the Trump Casino Licensees were last renewed by the Commission on June 20, 2007, for five-year terms commencing on June 26, 2007. *See* Resolution Nos. 07-06-20-17-A (TTMA), 07-06-20-17-B (TMA), and 07-06-20-17-C (TPA).[1]

In February 2009, TER, TER Holdings, TER Funding, the Trump Casino Licensees,

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[1]In the Division's 2007 casino license renewal report, dated May 18, 2007, it was noted that predecessor companies of the current Trump entities emerged from a Chapter 11 reorganization on May 20, 2005. *See* Commission Resolution No. 05-05-04 dated May 4, 2005, wherein this prior bankruptcy reorganization was approved by the Commission. This 2005 reorganization was the second time protection under the Bankruptcy Code was obtained; the first time was in 1992.

and other affiliated entities, filed as debtors (collectively, "Debtors") for a Chapter 11 reorganization under the United States Bankruptcy Code in the United States Bankruptcy Court for the District of New Jersey. At the time, TER Holdings, as borrower, and TER, as guarantor, had outstanding a borrowing from Beal Bank and affiliates ("Beal") under a credit agreement first dated as of December 21, 2007, secured by a first priority lien on substantially all of the assets of the Debtors (the "First Lien Credit Agreement") in regards to which Beal and, eventually, Icahn Partners, L.P. are the First Lien Lenders in the bankruptcy proceedings.[2] Also at about the time of the bankruptcy filing, TER Holdings and TER Funding were co-issuers of $1.25 billion (original principal amount) of 8.5% Senior Secured Notes due 2015 which are secured by a second priority lien on certain assets of certain of the Debtors (the "Second Lien Notes"). Among the Second Lien Noteholders is Avenue Capital Group.

Competing plans of reorganization were filed in the Bankruptcy Court by Beal and Icahn Partners as First Lien Lenders on the one hand, and, on the other hand, by the Debtors and the Ad Hoc Committee of certain Second Lien Noteholders ("AHC") of which Avenue Capital Group is one member. In an opinion on April 12, 2010, and by order

[2]As set forth in petition paragraph 7, the approximate principal balance under the First Lien Credit Agreement on or about May 14, 2010, was $482.6 million, had an effective interest rate of 8.2%, and is scheduled to mature in December 2012.

entered May 7, 2010, the Bankruptcy Court confirmed the Plan of Reorganization ("Plan")[3] that was submitted by the Debtors and the AHC.[4]

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[3]The "Supplemental Modified Sixth Amended Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code Proposed by the Ad Hoc Committee of Holders of Second Lien Notes and the Debtors."

[4]Icahn Partners and related entities appealed the Bankruptcy Court's confirmation of the Plan to the United States District Court for the District of New Jersey on May 17, 2010. Icahn Partners had sought a stay of the confirmation order pending the appeal but the stay request was withdrawn on or about June 2, 2010. Their request for an expedited appeal hearing was denied by the District Court on June 15, 2010. We are advised that a briefing schedule beginning June 30, 2010, has been set but that a hearing date has not.

II. PLAN OF REORGANIZATION

In brief, the Plan provides that, on or about the Effective Date,[5] the Debtors will receive $225 million in new equity capital pursuant to a Rights Offering that will be backstopped by members of the AHC. The First Lien Lender(s) will receive $125 million in cash from the proceeds of the Rights Offering, 100% of the net sale proceeds from a sale of the Trump Marina should any sale occur prior to the Effective Date, and a New Term Loan.[6] Second Lien Noteholders other than those participating in the Rights Offering will receive *pro rata* shares of a total of 5% or approximately 535,714 shares of New Common Stock to be issued by Reorganized TER.[7] General unsecured creditors will receive the cash equivalent of the value they would have received had they participated in the equity distribution. The Second Lien Notes, all equity interests in TER, and all partnership interests in TER Holdings will be cancelled. Reorganized TER will issue New Common Stock and its Board of Directors will be reconstituted.

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[5]The Effective Date is defined in petition paragraph 14 as occurring on the same day as or the next business day following receipt of all regulatory approvals.

[6]The New Term Loan will be governed by the Amended and Restated Credit Agreement. *See* petition Exhibit D (form, draft). As noted in more detail in Section VII, Financial Review, hereof, a Trump Marina sale after the Effective Date implicates provisions in the Amended and Restated Credit Agreement that could result in the amount of a third-party purchase offer reducing the principal amount of the New Term Loan or resulting in the acquisition of the property being acquired for the purchase price offer by the First Lien Lenders.

[7]As set forth in petition paragraph 26, the total number of shares of New Common Stock expected to be issued by Reorganized TER is 10,714,286 (20,000,000 shares will be authorized).

The Rights Offering of Reorganized TER's New Common Stock, through which the Debtors will receive the above-noted $225 million in new equity capital, provides that eligible holders of Second Lien Notes and general unsecured claims will receive subscription rights to purchase *pro rata* shares of up to 70% or approximately 7,500,000 shares of New Common Stock at $30 per share. The Rights Offering is backstopped by members of the AHC such that those participating in the backstop have agreed to purchase from the Rights Offering their proportion of all shares unpurchased in the Rights Offering thereby ensuring that all of the 7,500,000 shares are purchased at $30 per share so as to provide the designed amount of $225 million in proceeds. In addition, the parties to the backstop will receive, in consideration for being part of the backstop, 20% or approximately 2,142,875 shares of Reorganized TER's New Common Stock to be allocated among the backstop participants.

The $225 million proceeds from the Rights Offering as backstopped will be used by the Debtors to pay the $125 million to the First Lien Lender(s), provide working capital, pay any debtor-in-possession ("DIP") financings,[8] pay obligations under the Plan, and for general corporate purposes.

As noted, after payment to the First Lien Lender(s) of $125 million from the proceeds of the Rights Offering, the First Lien Lender(s) will receive a New Term Loan governed by the Amended and Restated Credit Agreement. On the Effective Date of the

[8]Debtors borrowed $10 million in DIP financing on June 10, 2010. *See* Section VII., Financial Review, at B. 1., *infra*.

Plan, the New Term Loan will be in the approximate amount of $334 million at 12% interest maturing December 31, 2015.

The Plan also includes a settlement agreement between Donald J. Trump ("DJT") and Ivanka Trump, and the AHC. In exchange for waiving various claims against the Debtors, entering into amended license and services agreements, and agreeing to certain non-competition provisions, DJT, Ivanka Trump and certain entities owned or controlled by them (the "DJT Parties") will receive 5% or approximately 535,714 shares of Reorganized TER's New Common Stock. In addition, the DJT Parties will receive warrants to purchase for cash up to an additional 5% of New Common Stock, exercisable for a period of five years commencing on the Effective Date of the Plan at a price set forth in the Plan.[9]

As set forth in more detail in petition paragraph 26, it is anticipated that 10,714,286 shares of Reorganized TER's New Common Stock will be held on the Effective Date of the Plan by twelve entities or groupings of holders. Among them at 5% or more are (percentage holding of the total in parentheses):

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[9]DJT and Ivanka Trump have agreed to enter into a Second Amended and Restated Trademark License Agreement and an Amended and Restated Services Agreement (petition Exhibits I and H, respectively (drafts)). Briefly, the former generally provides for the use of the names and likenesses of DJT and Ivanka Trump by Reorganized TER and its affiliates whereas the latter generally provides for the provision of promotional, marketing, or advertising activities by DJT and Ivanka Trump for Reorganized TER and its affiliates and also generally prohibits DJT from providing such services to others. The principal consideration for both Agreements is the issuance to DJT of the 5% equity interest in Reorganized TER and the common stock purchase warrant.

- Avenue Capital Group (21.7%);[10]
- Polygon Investment Partners, LLP ("Polygon UK") (14.4%);
- Contrarian Capital Management, L.L.C. ("Contrarian") (13.5%);
- Oaktree Capital Management, L.P. ("Oaktree") (9.5%);
- Northeast Investors Trust ("Northeast") (8.5%);
- Golden Tree Asset Management L.L.C. ("Golden Tree") (7.5%);
- Brigade Capital Management, L.L.C. ("Brigade") (7.4%);
- MFC Global Investment Management (U.S.), L.L.C. ("MFC") (7.2%); and,
- DJT Parties (5.0%, not including warrants).

It is the intention to register Reorganized TER's New Common Stock with the Securities and Exchange Commission ("SEC") and to list same for trading on either the NASDAQ or New York Stock Exchange.[11]

Pursuant to the Plan, TER's Certificate of Incorporation will be amended and restated and its Board of Directors will be reorganized. Reorganized TER's Board will consist of the following seven members/directors: Mark Juliano, Marc Lasry (as Chairman),

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[10]Entities part of Avenue Capital Group have filed petitions with the Commission seeking various relief and approvals including interim casino authorization under the Act on account of its anticipated interests in Reorganized TER. These petitions are scheduled to be heard by the Commission on the same day as the within petition -- July 14, 2010. *See* PRNs 0531002, 2680906, and 0471004.

[11]*See* petition paragraph 28.

Rob Symington, David Licht, Stephen McCall, Eugene Davis, and Jeffrey Gilbert.[12] Mr. Juliano currently is TER's Chief Executive Officer. Messrs. Lasry, Symington and Licht are affiliated with Avenue Capital Group. Messrs. McCall, Davis and Gilbert are represented to be unaffiliated with the Debtors or the AHC and are identified as "independent." The three unaffiliated Board members will comprise Reorganized TER's Audit Committee.

Current officers of TER will continue to serve under Reorganized TER in accordance with any employment and severance agreements authorized by Reorganized TER's Board of Directors.

The Plan provides for the creation of a new entity, TERH LP Inc. ("TERH"), which will hold a new 1% limited partnership interest in Reorganized TER Holdings. All pre-petition partnership interests in TER Holdings held by TER, TCI 2 Holdings, L.L.C., Ace Entertainment Holdings Inc., and DJT[13] will be cancelled and Reorganized TER Holdings will issue a general partnership interest representing a 99% equity interest to Reorganized TER and a limited partnership interest to TERH representing a 1% equity interest.[14]

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[12]TER's current Board consists of Harry Hagerty, Don Thomas, Edward D'Alelio, James Florio, Michael Kramer and Mr. Juliano. The Chairman was DJT but he resigned prior to the Debtors bankruptcy filing.

[13]DJT had abandoned his approximate 23.5% interest in TER Holdings in February 2009 prior to the filing for bankruptcy protection by Debtors.

[14]Compare the pre- and post-organizational charts at petition Exhibit C.

Finally, it should be noted that there are contested matters still pending in the Bankruptcy Court, none of which would, as appears and as advised by petitioner's counsel, affect the Effective Date of the Plan. They are:

- An adversary proceeding filed by Icahn Partners on or about May 28, 2010, contesting the Debtors intention to receive from the Casino Reinvestment Development Authority ("CRDA") pursuant to a CRDA program an approximate amount of $9.6 million. We are advised that Debtors have chosen to postpone receipt of these monies until after the Effective Date of the Plan and that the Bankruptcy Court has issued a stay order to this effect. The Debtors expect to file their response to the complaint the week of June 28, 2010. A telephone status conference was held on June 24, 2010, at which the stay order was confirmed to still be in effect. No hearing date has been scheduled;
- An issue that could result in the amount of the New Term Loan becoming less than the projected $334 million if the Bankruptcy Court "recharacterizes" some or all payments of post petition interest and fees as principal payments. The amount could be as high as $60 million. Beal and Icahn Partners have objected to any recharacterization. We are advised that no hearing date on this matter is presently scheduled before the Bankruptcy Court and that it may in fact be heard after the Effective Date. While a resolution of this issue may not affect the Effective Date, a ruling favorable to the Debtors could significantly reduce its long-term debt going forward and

improve its cash position *vis-a-vis* servicing the debt. (Petitioner does not rely on receipt of any of these funds in its forecasts submitted herein.); and,

- An action originally brought by Beal in New York State Court on the eve of the confirmation hearing in the Debtors' Chapter 11 bankruptcy case. It relates to alleged breaches of an Intercreditor Agreement by the Second Lien Collateral Agent and certain Second Lien Noteholders. After removal from New York State Court, the United States District Court for the Southern District of New York by order on June 8, 2010, granted a motion to transfer the matter to the District of New Jersey where it was apparently referred to the Bankruptcy Court. By email on June 30, 2010, from petitioner's counsel, we were advised that Beal on or about June 22, 2010, filed a petition for writ of mandamus with the United States Court of Appeal for the Second Circuit to transfer the case back to the United States District Court for the Southern District of New York to enable an appeal of the transfer and filed a request for a stay of the initial transfer ruling.

III. QUALIFICATION STATUS OF ENTITIES

Upon the Effective Date of the Plan and giving effect to its provisions, as depicted on petition Exhibit C, the Trump Casino Licensees will be wholly-owned subsidiaries of Reorganized TER Holdings which, accordingly, will be a holding company under the Act with respect to each casino licensee. Reorganized TER will directly hold a 99% general partnership interest in Reorganized TER Holdings and an indirect, through TERH, 1% limited partnership interest in Reorganized TER Holdings and, accordingly, will wholly own Reorganized TER Holdings and thus will also be a holding company under the Act of the Trump Casino Licensees.

As to TERH, petitioner argues in petition paragraphs 51 to 53 that it should be designated an entity qualifier under the Act, not a holding company. In view of Reorganized TER's control of Reorganized TER Holdings and thus the Trump Casino Licensees, we agree.

However, TERH, as well as Reorganized TER Holdings and Reorganized TER, should comply with the provisions of *N.J.S.A.* 5:12-82d with regard to their organizational documents in the event of a transfer or repurchase of interests upon a disapproved transfer. Petitioner has submitted draft organizational documents for all three entities which we have reviewed.[15] We submit the drafts comply with the statute.

Petitioner identifies at petition paragraphs 124 to 127 the "Icahn Parties" as financial sources under the Act of the Trump Casino Licensees.[16] As noted previously, the Icahn Parties acquired the interests of Beal in the First Lien Credit Agreement and, under the Plan, will receive as First Lien Lender the New Term Loan. These same Icahn Parties were deemed holding companies under the Act with respect to Tropicana Atlantic City Corp. and sought and were granted interim casino authorization by the Commission on March 3, 2010, in Resolution No. 10-03-03-12, and are currently being investigated by the Division for plenary qualification. Under the circumstances, the Division does not oppose a ruling qualifying these entities as financial sources of Reorganized TER with respect to the Trump Casino Licensees.[17] Beal will be Administrative and Collateral Agent with regard to the New Term Loan and thus a financial source pursuant to *N.J.S.A.* 5:12-84b but

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[15]Petition Exhibit F: (draft) Amended and Restated Certificate of Incorporation of TER, as revised by letter amendment to the petition dated June 28, 2010.
Petition Exhibit G: (draft) Fifth Amended and Restated Agreement of Limited Partnership of TER Holdings.
Petition Exhibit J: (draft) Certificate of Incorporation of TERH.

[16]The Icahn Parties are: Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, and Icahn Partners Master Fund III LP.

[17]It is noted that the Icahn Parties will also hold Reorganized TER New Common Stock as a result of their holdings of Second Lien Notes, pursuant to the Plan's provisions. It is estimated that their 12.4% interest in the Second Lien Notes will be converted into approximately 0.625% of New Common Stock.

exempt from qualification under the Act because of its status as a bank.[18] *See N.J.S.A.* 5:12 -84 and -85.

[18]By email dated June 28, 2010, Beal's counsel confirmed his client will likely be the Administrative/Collateral Agent for the New Term Loan. If this changes at any time going forward, an appropriate application for qualification or qualification status of a different loan agent will have to be made.

IV. QUALIFICATION STATUS OF INDIVIDUALS

Robert M. Pickus is identified as to-be-formed TERH's initial sole member of its Board of Directors. The officers of TERH are identified to be Mark Juliano as President, Mr. Pickus as Secretary, and John Burke as Treasurer. Each would thus have to be qualified under the Act with respect to TERH. All three individuals have been previously qualified in connection with the Trump Casino Licensees at the renewal of their casino licenses in 2007 and continue to be qualified. Accordingly, each would be qualified to serve in their positions with TERH.

As noted previously, Reorganized TER's Board of Directors will consist of Messrs. Juliano, Lasry (as Chairman), Symington, Licht, McCall, Davis and Gilbert. While Mr. Juliano has been and continues to be qualified, the others are initial applicants for qualification under the Act. Messrs. Lasry, Symington and Licht are associated with Avenue Capital Group which, as noted previously, has pending petitions before the Commission for interim casino authorization. In petition paragraphs 68 to 77, petitioner seeks "temporary" qualification pursuant to *N.J.A.C.* 19:43-2.7(c) and (d) pending full qualification for Messrs. Lasry, Symington, Licht, McCall, Davis and Gilbert as members of Reorganized TER's Board of Directors. We have received appropriate completed disclosure filings for each of these individuals and have conducted preliminary law enforcement checks and do not oppose the Commission granting each permission to perform and act in the position of member of Reorganized TER's Board of Directors pending full qualification pursuant to *N.J.A.C.* 19:43-2.7(c) and (d).[19]

We note here again that, in petition paragraph 34, petitioner represents that the officers of TER immediately prior to the Effective Date of the Plan will serve as the officers of Reorganized TER after the Effective Date. Thus, it would appear that no new officer of Reorganized TER will be required to qualify under the Act.

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[19]Petition Exhibit E contains short biographies of Messrs. Lasry, Symington, Licht, McCall, Davis and Gilbert.

V. QUALIFICATION STATUS OF EQUITY SECURITY HOLDERS

In petition paragraphs 80 to 123, petitioner addresses the status under the Act of Reorganized TER's equity security holders, including its requests for waivers from qualification of certain holders.

Waivers are not sought for Avenue Capital Group and DJT. As noted previously, Avenue Capital Group has filed petitions with the Commission for interim casino authorization and other relief with respect to its expected approximate 21.7% holding of Reorganized TER's New Common Stock. DJT has been and continues to be individually qualified under the Act with respect to the Trump Casino Licensees and thus he would be qualified to hold the expected 5% of Reorganized TER's New Common Stock.

Waivers are sought for all other holders of Reorganized TER's New Common Stock. In petition paragraphs 122 and 123, petitioner requests waiver of qualification pursuant to *N.J.S.A.* 5:12-85d(1) for all persons holding less than 5% of the New Common Stock, which would include the approximate 0.625% holding by the Icahn Parties as noted *supra*. The Director of the Division will concur with the Commission in this waiver.

Petitioner identifies seven entities each of which is expected to hold over 5% of New Common Stock and for which waiver of qualification for each is sought as an institutional investor pursuant to *N.J.S.A.* 5:12-85f. Although noted previously, they are set forth again for ease of reference as (with the expected percentage holdings of New Common Stock in parentheses): Brigade (7.4%); Golden Tree (7.5%); MFC (7.2%); Northeast (8.5%); Oaktree (9.5%); Contrarian (13.5%); and, Polygon UK (14.4%).

With regard to the five entities that are each expected to hold less than 10% -- Brigade, Golden Tree, MFC, Northeast and Oaktree -- each has submitted the certification for waiver as required by *N.J.S.A.* 5:12-85f[20] and petitioner represents that each satisfies the definition of institutional investor at *N.J.S.A.* 5:12-27.1. Based on the representations and certifications presented, the Division does not oppose Commission rulings granting waivers of qualification pursuant to *N.J.S.A.* 5:12-85f for Brigade, Golden Tree, MFC, Northeast and Oaktree with regard to their noted expected holdings of Reorganized TER's New Common Stock.[21]

As to Contrarian, it is expected to hold approximately 13.5% of the New Common Stock. Waiver under *N.J.S.A.* 5:12-85f for equity holdings above 10% (but below 15%) requires a showing of "good cause" which petitioner in petition paragraph 120 states is satisfied because the equity holding results from a bankruptcy proceeding in which Contrarian was a creditor of the Debtors holding its Second Lien Notes, and did not actively acquire equity securities with an intent to control or influence TER or the Trump Casino

[20]*See* petition Exhibit K as to Brigade; Exhibit M as to Golden Tree; Exhibit N as to MFC; Exhibit O as to Northeast; and, Exhibit P as to Oaktree.

[21]Petitioner has submitted to the Division and Commission staffs in separate and "confidential" writings additional background information and fund holdings for Brigade, Golden Tree, MFC, Northeast, Oaktree, Contrarian, and Polygon UK.

Licensees. Petitioner represents that Contrarian is an institutional investor pursuant to *N.J.S.A.* 5:12-27.1 and an appropriate certification for waiver under *N.J.S.A.* 5:12-85f has been submitted.[22] The Division does not oppose a "good cause" waiver of qualification under *N.J.S.A.* 5:12-85f for Contrarian with regard to its noted expected holding of Reorganized TER's New Common Stock.

With regard to Polygon UK, it is expected to hold approximately 14.4% of the New Common Stock, waiver for which under *N.J.S.A.* 5:12-85f would require, as in the case of Contrarian above, "good cause." However, Polygon UK does not squarely fit within the specific categories set forth in *N.J.S.A.* 5:12-27.1 defining an institutional investor. At petition paragraphs 116 and 117, petitioner argues that Polygon UK should be considered as fitting in the so-called "catch-all" category of the definitional statute. Since Polygon UK is represented to be an authorized financial services firm registered with the United Kingdom Financial Services Authority ("UKFSA") whose regulation is at least equivalent to that under the Investment Advisers Act of 1940 or the Investment Company Act of 1940, the Division does not oppose a Commission ruling under the "catch-all" provision of *N.J.S.A.* 5:12-27.1 deeming Polygon UK an institutional investor for purposes of waiver under *N.J.S.A.* 5:12-85f.[23] Petitioner cites the same "good cause" reason of conversion in the bankruptcy proceedings of its creditor interests into equity interests in Reorganized

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[22]*See* petition Exhibit L as supplemented by certification dated June 4, 2010 (cover letter dated June 11, 2010).

[23]We acknowledge receipt of the comparison of regulations between the UKFSA and the SEC as noted in petition footnote 9 on page 37.

TER as was cited for Contrarian. An appropriate certification for waiver under *N.J.S.A.* 5:12-85f has been submitted.[24] The Division does not oppose the Commission granting Polygon UK a "good cause" waiver of qualification under *N.J.S.A.* 5:12-85f with regard to its noted expected holding of Reorganized TER's New Common Stock.

[24] *See* petition Exhibit Q as supplemented by certification dated June 4, 2010 (cover letter dated June 7, 2010).

VI. OTHER REQUESTED RULINGS

In petition paragraph 48 (*see also* paragraph 37), a ruling is requested approving the pre-Effective Date transfer by TER of its interest in TER Holdings to TERH pursuant to *N.J.A.C.* 19:43-2.8. This transaction is apparently necessary to effectuate the Plan's purposes and, moreover, it appears the interest so transferred will be cancelled after the Effective Date at which point the Fifth Amended and Restated Agreement of Limited Partnership of Reorganized TER Holdings[25] will be effectuated. The Division does not oppose this request.

In petition paragraph 58, a ruling is sought approving the issuance by TERH of common stock to TER and Reorganized TER, as applicable, pursuant to *N.J.A.C.* 19:43-2.8. Since the issuance of these securities appears integral to the implementation of the Plan, the Division does not oppose such a ruling.

In petition paragraph 129, a ruling is sought declaring that TER Funding should no longer be deemed an entity qualifier of the Trump Casino Licensees under the Act as of the Effective Date of the Plan. Since TER Funding is co-issuer of the Second Lien Notes which will be cancelled under the Plan on the Effective Date and will have no apparent role thereafter, the Division does not oppose the requested ruling.[26]

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[25]*See* petition Exhibit G (draft).

[26]By email dated June 25, 2010, petitioner's counsel advised that TER Funding will likely be dissolved on or about the Effective Date of the Plan.

In petition paragraphs 63 to 65, a ruling is requested declaring that Reorganized TER will be a publicly-traded corporation on and after the Effective Date of the Plan as provided in *N.J.S.A.* 5:12-39. Since, as represented by petitioner in petition paragraph 65, Reorganized TER's common stock will be registered under Section 12 of the Securities Exchange Act of 1934, the Division does not oppose such a ruling under *N.J.S.A.* 5:12-39.

In petition paragraphs 78 and 79, a ruling is sought declaring that compliance with *N.J.A.C.* 19:43-1.1(c) regarding mandatory reporting lines for a casino licensee's surveillance and internal audit functions will continue in light of Reorganized TER's Audit Committee as described previously hereinabove. The Division does not oppose such a ruling.

Finally, by letter amendment to the petition dated June 28, 2010, petitioner seeks a ruling regarding the changes noted therein to the operating agreements of the Trump Casino Licensees (*see* petition Exhibits R, S and T submitted with the letter amendment) and continued compliance with *N.J.S.A.* 5:12-82d. The changes relate to the Trump Casino Licensees not being authorized to issue non-voting membership interests pursuant to Chapter 11 of the Bankruptcy Code. The Division does not oppose the requested ruling.

VII. FINANCIAL REVIEW

A. OVERVIEW

To recapitulate for purposes of this financial review, on the Effective Date, the confirmed Plan will principally result in the following: cancellation of the $1.25 billion 8.5% Second Lien Notes; receipt by Reorganized TER of $225 million in new equity capital through a Rights Offering backstopped by the AHC; and, issuance of a New Term Loan governed by the Amended and Restated Credit Agreement in the amount of approximately $334 million at a 12% interest rate with an extension of the maturity date from 2012 to 2015. Of the $225 million received by Reorganized TER, $125 million will be used to reduce debt to the First Lien Lenders and the remaining funds will be used to pay reorganization expenses, satisfy DIP borrowings, and provide cash of approximately [redacted] to Reorganized TER Holdings. These principal Plan components are proposed to result in reductions in annual interest and in the amount of debt needed to be refinanced in the future and to provide Reorganized TER Holdings with additional cash going forward.

The qualifying intermediary holding company, TER Holdings/Reorganized TER Holdings, and the ultimate publicly-traded parent corporation, TER/Reorganized TER, do not generate revenues themselves and are dependent on the ability of the Trump Casino Licensees to generate funds to meet their financial needs. As a result, their financial stability is dependent on the Trump Casino Licensees satisfying the financial stability requirements under Section 84a of the Act.

To enable this financial review, the Division received details of the Plan and the New Term Loan along with actual financial results for 2009 and financial projections ("Forecast") for the Trump Casino Licensees and TER Holdings/Reorganized TER Holdings on a consolidated basis for 2010 through 2012 ("Forecast Period").[27] The Division had requested that the submission reflect the introduction of authorized table games in Pennsylvania; however, the submitted Forecast was based upon that submitted to the Bankruptcy Court in January 2010 (and prepared in or about November 2009) and did not include this item and which were dated in any event. Management chose not to modify the submission and the Division, considering the Forecast as originally submitted deficient, requested supplemental information that addressed the impact of the introduction of table games in Pennsylvania, a sale of Trump Marina, and that would demonstrate the financial flexibility of Reorganized TER Holdings under a no-growth scenario. Subsequently, petitioner submitted supplementary schedules ("Supplemental Schedules") addressing these items.

Selected financial aspects of the Plan will be presented first, then an analysis of the Forecast as submitted, followed by a review of the information provided in the Supplemental Schedules which addresses the impact of the Pennsylvania table games, a sale of Trump Marina and the flexibility of Reorganized TER Holdings based on a no-growth scenario.

[27]The expiration date for the Trump Casino Licensees' licenses is June 25, 2012, and a renewal proceeding for subsequent terms will likely be held at or about that time.

B. THE PLAN

1. Sources and Uses of Funds

Table 1 below shows the sources and uses of the $225 million in proceeds to be received from the Rights Offering as backstopped.

Table 1
Reorganized TER/ TER Holdings
Sources and Uses of Funds
($ in millions)

Sources		Uses	
Proceeds from Rights Offering	$225.0	Payment on Pre-Petition First Lien Debt	$125.0
		Reorganization Expenses	[redacted]
		Repayment of DIP borrowings	10.2
		Cash provided to reorganized company	[redacted]
Total	$225.0	Total	$225.0

Under the Plan, $125 million will be used to reduce the pre-petition First Lien Debt.[28] The remainder of the cash will be used to pay reorganization expenses of [redacted]

[28]The term "pre-petition" is used throughout with reference to that point in time prior to the filing of the petition for bankruptcy reorganization. It does not refer to any petition filed with or pending before the Commission.

repay the DIP borrowing and related interest expense totaling $10.2 million,[29] and provide cash of approximately [redacted] for general corporate purposes at Reorganized TER Holdings.

2. Debt and Interest Expense Under the Plan

The impact of the Plan on debt structure and interest expense is shown in Table 2 below.

Table 2
TER Holdings/Reorganized TER Holding
Effect of the Plan on Debt Balance
($ in millions)

	March 31 2010	Post- Effective Date 2010
Second Lien Notes due 2015	$1,249.0	
Pre-petition First Lien Debt due 2012	$ 482.6	
New Term Loan due 2015		$334.0
Total *	$1,731.6	$334.0

* Capital leases totaling approximately $7 million have been excluded

At March 31, 2010, the pre-petition First Lien Debt was approximately $482.6 million with a maturity date of December 21, 2012. According to the terms of the Plan, on the

[29]TER Holdings borrowed $10.0 million in DIP financing on June 10, 2010. Up to $24 million in DIP loans are currently available at an interest rate of 10%. An additional $21 million is committed but which would only become available for use if approved by the Commission through a petition for a material debt transaction. No such approval has been requested at this time and no further borrowings are anticipated. All outstanding DIP borrowings together with any interest due must be repaid on the Effective Date from proceeds of the Rights Offering as backstopped.

Effective Date, the pre-petition First Lien Debt will be reduced by $125 million. As stated in the petition, the New Term Loan will contain two components: an interest-bearing component of $334 million (as shown in Table 2 above) and a non-interest-bearing component of approximately $23.6 million (not shown in Table 2). The $23.6 million represents the difference between the enterprise value of Reorganized TER Holdings of $459 million as determined by the Plan and the $482.6 million in pre-petition First Lien Debt .[30] The $334 million represents the enterprise value of $459 million less the $125 million reduction under the Plan. As the Second Lien Notes will be cancelled under the terms of the Plan and First Lien Debt will be reduced and become the New Term Loan, there will be a reduction in total interest-bearing debt from $1.7 billion to approximately $334 million.[31] The New Term Loan will mature in 2015.

It is important to note that the New Term Loan is the only debt provided for in the Forecast; no credit facility is provided to be available through June 2012.

The impact of the Plan on annual interest expense is shown in Table 3 below.

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[30]As noted previously, these amounts are subject to a recharacterization decision by the Bankruptcy Court which has yet to be made. If made favorably to the Debtors, the interest-bearing component could be less than the anticipated $334 million by as much as $60 million. Additionally, a $1.2 million principal payment is due the First Lien Lenders on June 30, 2010, and is not reflected in the $334 million New Term Loan balance.

[31]Pursuant to the Plan, the principal balance of the non-interest-bearing component of the New Term Loan will be reduced on a dollar for dollar basis by the amount of any interest payments made with respect to the interest- bearing component. The non-interest-bearing component of $23.6 million is not included in the balance sheet for the Forecast Period.

Table 3
TER Holdings/Reorganized TER Holdings
Effect of the Plan on Annual Interest Costs
($ millions)

	Pre-Plan 2009	Post-Effective Date 2010
Second Lien Notes due 2015 @ 8.5%	$106.2	$0.0
First Lien Debt due 2012	30.6*	0.0
New Term Loan due 2015 @ 12%	NA	40.1**
Total	$136.8	$40.1

*Excludes penalty interest of 2% or $9.9 million
**Assumes 12% interest on $334 million on an annual basis

Prior to the Plan, annual interest expense approximated $136.8 million and after the Effective Date annual interest expense will approximate $40.1 million, a reduction of over $96 million.

3. New Term Loan

As previously noted, the interest rate on the interest-bearing component of the New Term Loan is a fixed rate of 12%. Interest on the existing First Lien Debt is variable and the base rate is currently 6.2%.[32] As with the pre-petition First Lien Debt, the New Term Loan requires quarterly interest payments and quarterly principal reductions of 0.25% of outstanding principal on the last day of each of March, June, September and December.

[32] The effective rate of interest is 8.2% which includes a 2% default premium.

Forecasts show scheduled principal reductions on the New Term Loan will total approximately $3.3 million annually or approximately $1.5 million less than the annual reductions under the pre-petition First Lien Debt.

Among the covenants and other conditions provided in the Amended and Restated Credit Agreement governing the New Term Loan, one requires that the amount of capital expenditures, excluding maintenance capital expenditures, be capped at no more than 8% of gross gaming revenue. Reorganized TER Holdings is forecasting that those capital expenditures will be less than the 8% cap. In addition, beginning annually on March 31, 2011, mandatory principal prepayments of 50% of free cash flow will be required; however, no free cash flow is forecasted to be available for this purpose during the Forecast Period. Also, a sale of Trump Marina would trigger a mandatory prepayment event under the Amended and Restated Credit Agreement governing the New Term Loan as more particularly addressed in Section VII., D. 2. hereof.

Among the negative covenants is a restriction on Reorganized TER and Reorganized TER Holdings and any of its subsidiaries from entering into any management or consulting agreement with DJT or any affiliate of DJT other than as allowed in the Amended and Restated Services Agreement.

C. OPERATING FORECASTS

1. Actual and Forecasted Consolidated Gross Operating Profit

TER Holdings furnished actual results for full-year 2009 and through March 31, 2010 and projections for the period April 1, 2010, through December 31, 2012. An Effective Date of July 31, 2010, for the Plan is assumed in the Forecast as well as a 12% interest rate for the New Term Loan.

While Table 4 below shows TER Holdings/Reorganized TER Holdings actual and forecasted consolidated GOP and GOP margin, it does not reflect the implementation of table games in Pennsylvania because, as noted previously, management's Forecast did not address this factor. It does reflect, since management's Forecast assumptions include it, the expected opening of two slot projects in Philadelphia: SugarHouse in August 2010 and Foxwoods in January 2012. Also projected to occur are the openings during the Forecast Period of video lottery terminals ("VLTs") at Aqueduct racetrack in New York City in May 2011 and Revel in Atlantic City in December 2011.

Table 4

TER Holdings/Reorganized TER Holdings
Actual and Forecasted Consolidated Net Revenue, GOP and GOP Margin
For the Four Years Ending December 31, 2012

	Actual	Forecasted		
	2009	2010	2011	2012
Net Revenue:				
Trump Taj Mahal Associates, LLC -TTMA	$439.6	[redacted]	[redacted]	[redacted]
Trump Plaza Associates, LLC- TPA	196.7	[redacted]	[redacted]	[redacted]
Trump Marina Associates, LLC. - TMA	155.8	[redacted]	[redacted]	[redacted]
Consolidated net revenue	$792.1	[redacted]	$876.4	$835.3
Costs and Expenses:				
TTMA	$354.6	[redacted]	[redacted]	[redacted]
TPA	187.5	[redacted]	[redacted]	[redacted]
TMA	150.8	[redacted]	[redacted]	[redacted]
Corporate *	41.7	[redacted]	[redacted]	[redacted]
Consolidated costs and expenses	$734.6	[redacted]	[redacted]	[redacted]
Gross Operating Profit (GOP)				
TTMA	$85.0	[redacted]	[redacted]	[redacted]
TPA	9.2	[redacted]	[redacted]	[redacted]
TMA	5.0	[redacted]	[redacted]	[redacted]
Corporate	(41.7)	[redacted]	[redacted]	[redacted]
Consolidated GOP	$57.5	[redacted]	[redacted]	[redacted]
Trump Casino licensees GOP Margin				
TTMA	19.3%	[redacted]	[redacted]	[redacted]
TPA	4.7%	[redacted]	[redacted]	[redacted]
TMA	3.2%	[redacted]	[redacted]	[redacted]
Consolidated	7.3%	[redacted]	[redacted]	[redacted]

*2009 and 2010 include professional fees of [redacted] and [redacted] respectively, in reorganization expenses.

Reorganized TER Holdings consolidated net revenue for 2010 is forecasted to be [redacted] which is below 2009's actual amount of $792.1 million and reflects the impact of severe winter weather experienced during the first quarter of 2010. The Forecast assumes the opening of Philadelphia's SugarHouse in the second half of 2010 and that an improvement in the economy would begin in the fourth quarter. Combined GOP for the three casino properties for 2010 is forecasted to be $105.9 million. Consolidated GOP for 2010 is projected to be negatively impacted by bankruptcy reorganization fees of [redacted] and [redacted] in corporate overhead expenses. With these expenses accounted for, consolidated GOP is forecasted by management to approximate [redacted] However, it is noted that combined property net revenue and GOP through May 2010 are down approximately 10% and [redacted] respectively, from the same period in 2009 such that the likelihood of net revenue and GOP for 2010 being achieved as management forecasts them is unlikely.

Moreover, it should be noted that Atlantic City casino industry revenues do not appear to have stabilized since, year-to-date through May 2010, year-over-year total casino win was down 7.9% and down 12.9% for the Trump Casino Licensees and, for 2009, total casino win was down 13.2% for the Atlantic City casino industry and down 14.5% for the Trump Casino Licensees.

For 2011, Reorganized TER Holdings consolidated net revenue and GOP are projected to increase to $876.4 million and [redacted] respectively, as management assumes an improving economy and competition from Aqueduct's VLTs impacting only the latter half of 2011. While consolidated net revenue is forecasted to increase by [redacted] or [redacted] from the 2010 projections after adjusting for reorganization expenses of [redacted] operating expenses are forecasted to [redacted] by [redacted] resulting in a consolidated GOP [redacted] of approximately [redacted] an [redacted] of [redacted]

Consolidated net revenue and GOP are forecasted to decline in 2012 to $835.3 million and [redacted] respectively, as management forecasted additional regional competition from Atlantic City's Revel and the opening of Philadelphia's Foxwoods. While consolidated net revenue is forecasted to decline by 4.7%, operating expenses are forecasted to decline by only 2.3%.

2. Actual and Forecasted Consolidated Cash Flows

The following table summarizes TER Holdings/Reorganized TER Holdings forecasted consolidated cash flows for the four years ending 2012.

Table 5

TER Holdings/Reorganized TER Holdings
Actual and Forecasted Consolidated Cash Flows
For the Four Years Ending December 31, 2012
($ in millions)

	Actual	Forecasted		
	2009	2010	2011	2012
Net cash provided (used) by operations	$11.7	[redacted]	[redacted]	[redacted]
Cash flows from investing activities:				
Capital expenditures	(26.8)	(10.0)	(53.0)	(43.2)
Purchase of CRDA obligations	(10.6)	(9.7)	(11.1)	(10.3)
Proceeds from CRDA investments	8.2	9.6	0.0	0.0
Decrease in restricted cash	2.8	0.0	0.0	0.0
Net cash used by investing activities:	(26.4)	(10.1)	(64.1)	(53.5)
Cash flows from financing activities:				
Proceeds from short term debt	0.0	10.0	0.0	0.0
Payments to settle long-term debt	(5.4)	(139.5)	(3.7)	(3.7)
Tax distributions	0.0	0.0	[redacted]	0.0
Capital contributions	1.0	225.0	0.0	0.0
Net cash provided (used) by financing activities	(4.4)	95.5	[redacted]	(3.7)
Net increase (decrease) in cash	(19.1)	[redacted]	[redacted]	[redacted]
Cash at beginning of year	85.2	66.1	[redacted]	[redacted]
Cash at end of year	$66.1	[redacted]	[redacted]	[redacted]

Forecasted negative net cash used by operations of [redacted] for 2010 includes a payment of [redacted] to settle disputed alternative minimum tax ("AMT") assessments of $30.0 million with the State of New Jersey for years 2002 through 2006.[33] The $139.5 million in long-term debt repayment reflects the repayment of $125 million of First Lien Debt and the $10 million DIP borrowing repaid from the $225 million in capital contributions

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[redacted]

received from the Rights Offering as backstopped. In addition, amortization payments of $4.1 million on the First Lien debt and $0.4 million in capital lease payments are also forecasted to be made. The expected receipt of CRDA proceeds of $9.6 million is forecasted to occur after the Effective Date and would offset the cash used to repay the DIP borrowing. Reorganized TER Holdings ending cash balance at December 31, 2010, is forecasted to increase by [[redacted]] from [[redacted]] at December 31, 2009, to [[redacted]] at the end of 2010.

As Table 5 reflects, capital expenditures are projected to increase from $10.0 million in 2010 to $53.0 million in 2011 and $43.2 million in 2012. This increase in capital expenditures is the primary driver of the forecasted reduction in cash balances from [[redacted]] [[redacted]] at end of 2010 to [[redacted]] by the end of 2012.

3. <u>Actual and Forecasted Cash Flows of the Trump Casino Licensees</u>

Table 6 summarizes actual and forecasted cash flows of the Trump Casino Licensees for the four years ending 2012.

Table 6

Trump Casino Licensees

Actual and Forecasted Cash Flows

For the Four Years Ending December 31, 2012

($ in millions)

	Trump Taj Mahal				Trump Plaza				Trump Marina			
	Actual	Forecasted			Actual	Forecasted			Actual	Forecasted		
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
Net cash provided (used) by operations	$20.6	[redacted]			($20.2)	[redacted]			$1.5	[redacted]		
Capital Expenditures	(20.8)	[redacted]			(1.7)	[redacted]			(4.2)	[redacted]		
Net (purchases) / proceeds from CRDA	(0.4)	[redacted]			(0.7)	[redacted]			(1.2)	[redacted]		
Repayment of debt	(0.3)	[redacted]			(0.1)	[redacted]			0.0	[redacted]		
Net intercompany (repayment) advances	0.0	[redacted]			20.1	[redacted]			1.4	[redacted]		
Net increase (decrease) in cash	(0.9)	[redacted]			(2.6)	[redacted]			(2.5)	[redacted]		
Cash at beginning of year	32.3	[redacted]			18.7	[redacted]			15.2	[redacted]		
Cash at end of year	$31.4	[redacted]			$16.1	[redacted]			$12.7	[redacted]		

As shown by Table 6,TTMA is the [redacted] cash from operations beginning with [redacted] in 2010 [redacted] in 2011 and [redacted] in 2012, which totals [redacted] over the Forecast Period. The Forecast shows this cash being primarily used for capital expenditures which [redacted] from [redacted] in 2010 to [redacted] in 2011 and [redacted] in 2012, totaling [redacted] In addition, TTMA forecasts show funds being available for intercompany repayments of [redacted] in 2010 [redacted] in 2011, and [redacted] in 2012 whereas, in contrast, both TPA and TMA are [redacted] TPA is expected to [redacted] a total of [redacted] in 2010 [redacted] in 2011, and [redacted] in 2012. TMA is forecasted to have [redacted] of [redacted] in 2010, [redacted] in 2011, and [redacted] in 2012 for total [redacted] from Reorganized TER Holdings of [redacted] during the Forecast Period. Cash balances at the Trump Casino Licensees are forecasted to [redacted] during the Forecast Period at approximately [redacted] for TTMA and [redacted] for TPA with balances at Trump Marina falling from [redacted] to [redacted]

D. SUPPLEMENTAL SCHEDULES

As previously noted, due to the absence of information in the Forecast and assumptions as initially submitted by petitioner, the Division requested additional financial information. In furtherance thereof, Supplemental Schedules were provided which included a version of a requested no-growth GOP scenario, an identification of operational cost savings from a sale of Trump Marina, and an estimate of the impact from the introduction of authorized table games in Pennsylvania on GOP.

1. No-Growth Scenario

While the Division sought a true no-growth scenario, management instead provided a modified version whereby consolidated GOP projected in the Forecast for 2010 at [redacted] remained constant in 2011 and 2012 and, after adjusting for the one-time bankruptcy reorganization expenses of [redacted] consolidated GOP for 2010 was set at approximately [redacted] As adjusted, this forecasted 2010 GOP served as management's base year from which projections for 2011 and 2012 were viewed.

Under this modified no-growth scenario, as a result of the lower revenues, management expects reductions in corporate expenses of [redacted] and in shared services of [redacted] from Forecast. In addition, capital expenditures are reduced to a maintenance level of [redacted] in 2011 and 2012 which results in potential cash savings of [redacted] for the Forecast Period. These forecasted expense reductions result in cash improving from that in the Forecast despite a lower GOP as shown in Table 7 below.

Table 7
Reorganized TER Holdings Consolidated Cash Balance
As Forecasted and Under the No-Growth Scenario
($ in millions)

	2011	2012
Forecast		
Consolidated GOP	[redacted]	[redacted]
Year End Cash Balance	$88.7	$65.1
No-Growth Scenario		
Consolidated GOP	[redacted]	[redacted]
Year End Cash Balance	$108.6	$104.7
Target Operating Cash Balance	[redacted]	[redacted]

* Reduced corporate overhead expense of [redacted] is included in the 2011 and 2012 GOP of [redacted]

Table 7 above shows that cash balances are expected to increase under the modified no-growth scenario for 2011 and 2012 as compared to Forecast if all the expense reductions are implemented. Management subsequently advised that a potential source of additional cash may be realized if they are able to negotiate a multi-year payment plan for the $30 million AMT assessment rather than having a single-payment of [redacted] in 2010 as set forth in the Forecast.

2. Potential Sale of Trump Marina

Management identified operational cash savings of [redacted] annually from a sale of Trump Marina. Also, Reorganized TER Holdings' cash balance needed for operations would be reduced by [redacted] according to management. In addition, net proceeds from a sale of Trump Marina could trigger a prepayment event under the Amended and Restated Credit Agreement governing the New Term Loan resulting in interest savings. In this regard, the First Lien Lenders have the right of first refusal regarding a potential sale of Trump Marina to a third party whereby they have 20 days from receipt of notice of a third-party offer to either elect to purchase Trump Marina at the same price and on the same terms and conditions or apply any or all of such purchase price directly toward reduction in the interest-bearing component of the New Term Loan.

3. Impact of Pennsylvania Table Games

The Forecast that was submitted assumed that the Aqueduct VLTs, Philadelphia's Foxwoods and Atlantic City's Revel would open during the Forecast Period. However, at the time the Forecast was actually submitted to the Division, these projects had encountered delays such that none were expected to open during the Forecast Period. To account for this, management noted in the Forecast without elaboration its belief that these delays would mitigate the impact of the introduction of authorized table games in Pennsylvania. In the Supplemental Schedules provided, management sought to quantify this assumption and estimated that without the additional competition from Aqueduct VLTs, Revel and Foxwoods, consolidated GOP could be increased by approximately [redacted] for 2011 and approximately [redacted] for 2012 and that such increases would more than offset the negative impact from Pennsylvania's table games which they estimated could decrease consolidated GOP by approximately [redacted] annually.

However, unaccounted for by management in this analysis is that through May 2010 results for table win and slot win were significantly down even without any major additional competition such as Pennsylvania's table games would pose. Table win for the Atlantic City casino industry was down 7.3% and down 15.8% for the Trump Casino Licensees through May 2010 and slot win year-to-date through May 2010 was also down 8.2% year-over-year for the Atlantic City casino industry and down 11.5% for the Trump Casino Licensees.[34] Thus, the degree by which the lack of competition from the unopened Aqueduct VLTs, Revel and Foxwoods sites is anticipated by management to offset the negative impact of competition from Pennsylvania's table games may be overstated.

4. <u>Potential Sources of Cash</u>

In the Supplemental Schedules provided, management identified potential sources

[34]Information obtained from the Commission's Monthly Press Release for May 2010.

of cash. They advised an interest expense savings could be realized if the Bankruptcy Court rules favorably on the motion seeking to recharacterize approximately $60 million in interest paid on the post-bankruptcy First Lien Debt.[35] In addition, management advised that it plans to file a shelf registration for additional common stock with the intention of selling stock to raise additional capital when market conditions are favorable. Finally, management advised that Reorganized TER Holdings could seek to refinance the New Term Loan at more favorable terms if the debt markets present an opportunity to do so.

E. SUMMARY

If carried out as contemplated, the Plan reduces debt, interest expense, amortization, and provides funds for operations. Total debt will be reduced from $1.7 billion to approximately $334 million resulting from the $1.2 billion of 8.5% Second Lien Notes being cancelled and approximately $482.6 million in pre-petition First Lien Debt being reduced to approximately $334 million in the New Term Loan. Annual interest expense will decrease from $136.8 million annually to approximately $40.1 million and amortization will be reduced by approximately $1.5 million. The Plan provides for a Rights Offering as backstopped of $225 million to reduce the First Lien Debt by $125 million, pay reorganization expenses of [redacted] satisfy $10.2 million in DIP borrowing which includes interest, and provide approximately [redacted] in funds for operations.

[35]Management estimates that for every $1 million in principal reduction, interest expense decreases by $120,000 annually.

Going forward, management's Forecast projects consolidated net revenues for all three properties of [redacted] and GOP of [redacted] in 2010. Since this GOP was impacted by the bankruptcy reorganization expenses of [redacted] a modified GOP for 2010 is projected by management to be approximately [redacted] after adjusting for those expenses. During the Forecast Period, both net revenue and GOP are forecasted to improve to $876.4 million and [redacted] for 2011, respectively, before declining to $835.3 million and [redacted] respectively, by 2012. However, due primarily to the amount of capital expenditures of $53 million in 2011 and $43 million in 2012, the cash balance is forecasted to decline from [redacted] in 2010 to [redacted] by 2012.

In the Supplemental Schedules, management used its modified 2010 GOP as the base year for its projections in 2011 and 2012. Under this modified no-growth GOP assumption, management kept capital expenditures at a maintenance level of [redacted] for 2011 and 2012 to demonstrate approximately [redacted] in cash savings, thereby increasing the cash balance to [redacted] for 2011 and [redacted] for 2012.[36] In addition, the Supplemental Schedules reflect management's view that a sale of Trump Marina could result in annual operating savings of [redacted] and reduce operating cash balance needs by [redacted] and that interest savings could also be realized if the application of net proceeds of any Trump Marina sale were used for debt repayment. If realistic, all savings as noted by management may provide Reorganized TER Holdings with

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[36]In this regard, the trade-off between merely maintaining the properties instead of improving them by fully funding capital expenditures would increase cash but will likely result in less revenues.

financial flexibility for the remainder of the license terms if the Forecast is not met even though there is no external working capital credit facility on which to rely. From the information and assumptions provided, the Trump Casino Licensees and their holding and related intermediary companies would appear to minimally satisfy the standards set forth In N.J.A.C. 19:43-4.2(b) under the Plan and the New Term Loan for the period ending June 25, 2012.

However, the Division has concerns with management's use of its forecasted modified 2010 GOP as the base for its no-growth scenario since the actual combined property GOP through May 2010 is down [redacted] year-over-year. Further, with net revenue also being down 10% for this same period, to achieve that which is forecasted for the entire 2010 year will require considerable growth for the properties when it is clear from results through May 2010 that they have not yet stabilized operations. Also, the fact that Pennsylvania table games are expected to open in July 2010 creates additional competition making management's expectations more challenging. Lastly, property GOP through May 2010 amounted to [redacted] a far cry from the [redacted] management expects for the entire 2010 year as shown in its Forecast and as utilized in its modified no-growth scenario.

Accordingly, the Division requests that TER Holdings continue to provide the Division and Commission with the monthly financial report currently being provided as required by Commission Resolution Nos. 07-06-20-17-A, 07-06-20-17-B, and 07-06-20-17-C for the individual Trump Casino Licensees and consolidated Reorganized TER Holdings.

This report should provide income statements showing actual, budget and prior year month-to-date and year-to-date results; month-end balance sheets; and, year-to-date statements of cash flow.[37] Also, to conserve cash at the property level and to help insure adequate financial flexibility through the remainder of the license terms, especially in the absence of an external working capital facility, the Division recommends that all cash distributions or dividends from TER Holdings or the Trump Casino Licensees other than as allowed in the Amended and Restated Credit Agreement[38] require pre-approval of the Commission.[39]

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[37]Although mid-term forecasts for the remainder of the current license terms were received on December 31, 2009, a review was deemed unnecessary because the Trump Casino Licensees were in bankruptcy. Nevertheless, the Division closely monitored the Trump Casino Licensees via the monthly financial report noted above and weekly receipt of a 13-week cash-flow projection. The Division also monitored the bankruptcy proceeding itself.

[38]*See* petition Exhibit D (form, draft).

[39]It should be noted that the Trump Casino Licensees will be required to provide financial forecasts in the spring of 2012 in anticipation of the renewals of their licenses in June 2012.

VIII. CONCLUSION

Based on all the above, including all the submissions made by petitioner and in reliance on petitioner's representations, subject to the receipt of all documents in final form not inconsistent with those submitted herein, the Division does not oppose the relief sought by petitioner in Counts One, Two and Three of PRN 1341004 subject to the following conditions:

- Continued submission of the monthly financial report in the manner and format more particularly described in Section VII., E. (Summary) hereinabove; and,
- Prior Commission approval of all cash distributions or dividends from TER Holdings or the Trump Casino Licensees other than as allowed in the Amended and Restated Credit Agreement.

Respectfully submitted,

JOSH LICHTBLAU
DIRECTOR

DATED: JULY 1, 2010

By: ______________________
James C. Fogarty
Deputy Attorney General

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c: Members of the Commission
Mary Wozniak, Esq., Assistant General Counsel
Christopher Glaum, Manager Financial Evaluation Unit
Nicholas Casiello, Jr., Esq.
Patrick Madamba, Jr., Esq.